

DOA Administrative Letter No. 04-4

To: Area Agencies on Aging

Subject: 2004 Revisions to OMB Circular A-133 Audit Threshold

Date: February 19, 2004

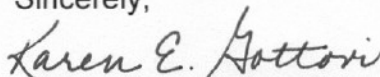
The Federal Office of Management and Budget (OMB) recently revised Circular A-133 to increase the reporting threshold for single audits of non-Federal entities from \$300,000 to \$500,000 effective for fiscal years ending after December 31, 2003. Non-Federal entities that expend \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in a year in Federal awards are **required** to have either a single audit or a program-specific audit conducted for that year. These audits are an allowable cost of administering the program and can be charged to the Federal grant.

Because a single audit is not required for non-Federal entities that expend Federal awards of less than \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) per year, Federal awards in this case cannot be charged for the cost of a single audit or program specific audit. However, subrecipients can charge the cost for a limited scope audit to the federal award. Limited scope audits are to be used to monitor subrecipients. Limited scope audits are defined as an agreed-upon procedures engagements conducted in accordance with the American Institute of Certified Public Accountants' (AICPA's) generally accepted auditing standards and attestation standards, that are paid for and arranged by a pass-through entity and address only one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort, earmarking; and/or reporting.

Accordingly, Area Agencies on Aging should ensure that subrecipients expending Federal funds below the stated thresholds during their fiscal year are not charging the cost of either a yellow book audit, a program-specific audit or a single audit. This can be accomplished by reviewing the DOA 732A Cost Computation Worksheet or other subrecipient budgets.

Attached is a table entitled "Summary of Reporting Requirements under OMB Circular A-133" which summarizes the various state and Federal reporting requirements described in this letter. This table will assist you in determining if State and/or Federal funds can be used to pay for the required reporting at each level of funding. Please contact Mark Hensley, Lead Monitor for the Division at 919-733-8390 if you have questions regarding this information.

Sincerely,


Karen E. Gottovi, Director

Attachment (1)

cc: COG Finance Directors
Aging Service Providers

Summary of Reporting Requirements under GS 143-6.1 and OMB Circular A-133

Non-governmental providers receiving Financial Assistance must file annual financial reports of their Receipts and Expenditures that comply with the requirements OMB Circular A-133. The level of expenditures determines what type of financial report must be filed. Refer to the table below to determine what type of financial report is required based on the level of expenditures and the allowable cost for reporting.

Annual Expenditures		Report Required	Allowable Cost for Reporting
Less than \$15,000 used or expended during a fiscal year		None, records must be available for monitoring	Not Applicable
\$15,000 - \$299,999 used or expended during a fiscal year		Grantee Receipts and Expenditures Report and Certification and Sworn Statement	May use State funds <u>but not Federal</u>
<i>For grantee fiscal years ended December 31, 2003 or earlier:</i>			
(a)	\$300,000 or more in State Funds received and expended during a fiscal year. Includes Federal pass through funds of which Federal expenditures are less than \$300,000	Audited Financial Statement in compliance with GAO/GAS (i.e., "Yellow Book") <u>including a Schedule of Federal and State Awards</u>	May use State funds <u>but not Federal</u>
(b)	\$300,000 or more in State Funds received and expended during a fiscal year. Includes Federal pass through funds of which Federal expenditures are \$300,000 or greater	Audited Financial Statement in compliance with OMB Circular A-133	May use State AND Federal funds
<i>For grantee fiscal years ending after December 31, 2003:</i>			
(a)	\$300,000 or more in State Funds received and expended during a fiscal year. Includes Federal pass through funds of which Federal expenditures are less than \$500,000	Audited Financial Statement in compliance with GAO/GAS (i.e., "Yellow Book") <u>including a Schedule of Federal and State Awards</u>	May use State funds <u>but not Federal</u>
(b)	\$300,000 or more in State Funds received and expended during a fiscal year. Includes Federal pass through funds of which Federal expenditures are \$500,000 or greater	Audited Financial Statement in compliance with OMB Circular A-133	May use State AND Federal funds

March 1, 2004

NC Division of Aging and Adult Services